

**Athens Community Library
Athens, Michigan**

**Annual Financial Statements
and
Auditors' Report**

March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Athens Community Library	County Calhoun
Audit Date 03/31/2005	Opinion Date 07/07/05	Date Accountant Report Submitted to State 10/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
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The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

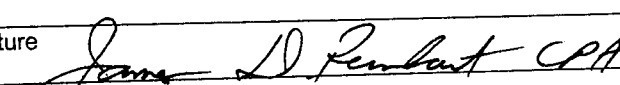
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 710 East Milham	City Kalamazoo	State Michigan	ZIP 49002
Accountant Signature 			

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Athens Community Library
Athens, Michigan
Members of the Library Board and Administration
March 31, 2005

MEMBERS OF THE LIBRARY BOARD

Clela Bauer	President
Virginia Doubleday	Vice President
Elsie Simmons	Treasurer
Margaret Smith	Secretary
Linda Minier	Trustee
Judy Henckel	Trustee

ADMINISTRATION

Carol Sybesma	Librarian
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Independent Auditors' Report

Members of the Library Board
Athens Community Library
Athens, Michigan

We have audited the accompanying basic financial statements of Athens Community Library as of March 31, 2005, as listed in the table of contents. These financial statements are the responsibility of Vicksburg District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2, Athens Community Library prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Athens Community Library as of March 31, 2005 and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in Note 2.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Athens Community Library. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Athens Community Library. We did not examine this data and, accordingly, do not express an opinion thereon.

As discussed in Note 1, the Library adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

July 7, 2005

Athens Community Library
Management's Discussion and Analysis
March 31, 2005

This section of the Athens Community Library annual financial report presents our discussion and analysis of the Library's financial performance during the year ended March 31, 2005. Please read it in conjunction with the Library's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for General Fund

Athens Community Library
Management's Discussion and Analysis
March 31, 2005

Reporting the Library as a Whole – Government-wide Financial Statements

The statement of net assets and the statement of activities, which appear first in the Library's financial statements report information about the Library as a whole using the cash basis of accounting. The statement of net assets includes all of the Library's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities when cash is received or paid.

These two statements report the Library's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets – is one way to measure the Library's financial health, or position. Over time, increases or decreases in the Library's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Library's operating results. However, the Library's goal is to provide services to our patrons, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided to assess the overall health of the Library.

The statement of net assets and statement of activities report the governmental activities for the Library, which encompass all of the Library's services. Unrestricted State aid and penal fines finance most of these activities.

Reporting the Library's Funds – Fund Financial Statements

The Library's fund financial statements provide detailed information about the Library's funds – not the Library as a whole. Some funds are required to be established by State law. The Library establishes funds to help it control and manage money for particular purposes and to show that it's meeting its legal responsibilities for using certain fines, grants, and other money. The governmental funds of the Library use the following accounting approach:

Governmental funds – All of the Library's services are reported in Governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and balances left at year end that are available for spending. They are reported using an accounting method for reporting cash. The governmental fund statements provide a detailed short-term view of the operations of the Library and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Athens Community Library
Management's Discussion and Analysis
March 31, 2005

The Library as a Whole

Recall that the statement of net assets provides the perspective of the Library as a whole. Table 1 provides a summary of the Library's net assets as of March 31, 2005.

TABLE 1

	Governmental Activities
Assets	
Current assets	\$ 62,259
Property and equipment, net	<u>8,045</u>
Total assets	<u>70,304</u>
Net Assets	
Invested in property and equipment – net	8,045
Unrestricted	<u>62,259</u>
Total net assets	\$ <u><u>70,304</u></u>

The above analysis focuses on the net assets

The results of this year's operations for the Library as a whole are reported in the statement of activities (see Table 2), which shows the sources of revenue for the year ended March 31, 2005.

Athens Community Library
Management's Discussion and Analysis
March 31, 2005

TABLE 2

	Governmental Activities
Revenue	
Penal fines	\$ 14,289
State aid	1,898
Other revenue	<u>3,061</u>
Total Revenue	19,248
Functions/Program Expenses	
Library services	<u>14,971</u>
Excess (deficiency) of revenues over expenditures	\$ <u><u>4,277</u></u>

Penal fines constitute the vast majority of Library's operating revenue sources. The Library Board and librarian must annually evaluate the needs of the Library and balance those needs with other available unrestricted resources.

The Library as a Whole

The Library's net assets increased \$4,277 for the year ended March 31, 2005.

The Library's primary source of revenue is from penal fines, which represents 74% of total revenue. Total revenues increased 14% which relates to the receipt of state aid for the current year.

Salaries and fringes continue to be a significant expense, representing 56% of the Library's total expenses.

The Library's Fund

An analysis of the Library's major funds is included on page 4-3 and 4-5. This page provides detailed information about the most significant funds – not the Library as a whole. The Library Board has the ability to create separate funds to help manage money for specific purposes and to maintain accountability for certain activities. At this time the Library maintains only one fund.

The fund balance of the General Fund increased during the year ended March 31, 2005 by \$4,846.

**Athens Community Library
Management's Discussion and Analysis
March 31, 2005**

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurred in payroll expenses and books.

The decrease in the budgeted amounts for books relates to less money spent on the purchase of books. The decrease in payroll expenses relates to the loss of the librarian at the beginning of the year and the transition time before the new librarian was hired.

Capital Assets Administration

Capital Assets

At March 31, 2005, the Library had \$8,045 invested in capital assets, including building improvements and books in accordance with its capitalization policy. Amounts under \$1,000 are not included herein.

	<u>March 31, 2005</u>
Building improvements	\$ 1,986
Library books	<u>36,994</u>
Total capital assets	38,980
Less accumulated depreciation	<u>(30,935)</u>
Net capital assets	<u>\$ 8,045</u>

Contacting the Library's Financial Management

This financial report is designed to provide the Library's citizens, customers, investors, and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library at 106 East Burr Oak, Athens, Michigan 49011.

Athens Community Library
Statement of Net Assets - Modified Cash Basis
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 5,596
Investments	56,663
Total current assets	<u>62,259</u>
Noncurrent assets	
Capital assets	
Building improvements	1,986
Library books	36,994
Less: accumulated depreciation	<u>(30,935)</u>
Total noncurrent assets	<u>8,045</u>
Total assets	<u><u>70,304</u></u>
Net Assets	
Invested in capital assets	8,045
Unrestricted	<u>62,259</u>
Total net assets	<u><u>\$ 70,304</u></u>

See Accompanying Notes to Financial Statements

Athens Community Library
Statement of Activities - Modified Cash Basis
For the Year Ended March 31, 2005

Revenue

Penal fines	\$ 14,289
State aid	1,898
Interest on investments	1,330
Other miscellaneous	1,731
Total revenue	<u>19,248</u>

Expenses

Conferences, workshops, and travel	60
Library books and materials	466
Miscellaneous	78
Professional fees	1,600
Repair and maintenance	1,146
Salaries and fringe benefits	8,409
Supplies	733
Depreciation	2,479
Total expenditures	<u>14,971</u>

Change in net assets

Net assets - beginning of year	<u>66,027</u>
Net assets - end of year	<u>\$ 70,304</u>

See Accompanying Notes to Financial Statements

Athens Community Library
Balance Sheet - Modified Cash Basis
Governmental Funds
March 31, 2005

	<u>General Fund</u>
Assets	
Cash	\$ 5,596
Investments	<u>56,663</u>
 Total assets	 \$ <u><u>62,259</u></u>
 Fund Balance	
Undesignated	\$ <u><u>62,259</u></u>

See Accompanying Notes to Financial Statements

Athens Community Library
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets
March 31, 2005

Total fund balances for governmental funds \$ 62,259

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Building Improvements	\$ 1,986	
Library books	36,994	
Less: accumulated depreciation	<u>(30,935)</u>	<u>8,045</u>

Net assets of governmental activities \$ 70,304

Athens Community Library
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the Year Ended March 31, 2005

	General Fund
Revenues	
Penal fines	\$ 14,289
State aid	1,898
Interest on investments	1,330
Other miscellaneous	1,731
Total revenues	<u>19,248</u>
Expenditures	
Conferences, workshops, and travel	60
Library books and materials	2,376
Miscellaneous	78
Professional fees	1,600
Repair and maintenance	1,146
Salaries and fringe benefits	8,409
Supplies	733
Total expenditures	<u>14,402</u>
Excess of revenues over expenditures	4,846
Fund balance - beginning	<u>57,413</u>
Fund balance - ending	<u>\$ 62,259</u>

See Accompanying Notes to Financial Statements

Athens Community Library
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - total governmental funds	\$ 4,846
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 1,910	
Depreciation expense	<u>(2,479)</u>	<u>(569)</u>

Change in net assets of governmental activities	\$ <u>4,277</u>
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Athens Community Library
Notes to Financial Statements
March 31, 2005

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Athens Community Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library's significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Library's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Library's activities
- A change in the fund financial statements to focus on the major funds

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

Reporting Entity

The Library is located in Athens, Michigan and is governed by an appointed six-member board. The Library is primarily funded through fines. Revenue is used to operate and staff the Library. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the

Library, there are no component units to be included in these financial statements.

**Measurement Focus, Basis of Accounting and Financial
Statement Presentation**

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the cash basis of accounting. Revenue is recorded when received and expenses are recorded when paid. Penal fines, grants and similar items are recognized as revenue as soon they are received.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts (1) invested in capital assets, net of related debt (2) restricted net assets, and (3) unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes penal fines and state aid to meet the operational or capital requirements of a particular function or segment.

Athens Community Library
Notes to Financial Statements
March 31, 2005

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the cash basis of accounting. Revenue is recognized when received and expenditures generally are recorded when paid.

All revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

The *General Fund* is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Financial Statement Amounts

Bank Deposits and Investments – The Library has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets – Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated assets are reported at an estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Improvements	10 – 20 years
Books	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subjective to change.

Comparative Data

Comparative data is not included in the Library's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General Fund. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. State law requires the Library to have its budget in place by February. A library is not considered in violation of the Act if reasonable procedures are in use by the library to detect violations.

Budgeted amounts are as originally adopted, or as amended by the Library Board throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at yearend and therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Athens Community Library
Notes to Financial Statements
March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the Library's investment policy authorize the Library to make deposits in the accounts of federally insured banks and credit unions, that have an office in Michigan; the Library is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority.

At yearend, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash	\$ 5,596
Certificates of deposit	56,663

The deposits of the Library were reflected in the accounts of financial institutions at \$62,259 of which \$62,259 is covered by federal depository insurance.

NOTE 4 - GENERAL FIXED ASSETS

A summary of the changes in general fixed assets is as follows:

	Balance April 1, 2004	Additions	Deletions	Balance March 31, 2005
Other capital assets				
Buildings improvements	\$ 1,986	\$ -	\$ -	\$ 1,986
Library books	35,084	1,910	-	36,994
Subtotal	37,070	1,910	-	38,980
Accumulated depreciation	(28,456)	(2,479)	-	(30,935)
Net book value	\$ 8,614	\$ (569)	\$ -	\$ 8,045

Depreciation for the year ended March 31, 2005 amounted to \$2,479.

Athens Community Library
Required Supplemental Information
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Penal fines	\$ 16,000	\$ 14,289	\$ 14,289	\$ -
State aid	1,100	1,898	1,898	-
Interest on investments	1,000	1,124	1,330	206
Other miscellaneous	-	396	1,731	1,335
Total revenues	<u>18,100</u>	<u>17,707</u>	<u>19,248</u>	<u>1,541</u>
Expenditures				
Conferences, workshops, and travel	300	60	60	-
Library books and materials	3,900	2,419	2,376	(43)
Miscellaneous	150	-	78	78
Professional fees	1,400	1,600	1,600	-
Repair and maintenance	1,200	740	1,146	406
Salaries and fringe benefits	10,400	8,955	8,409	(546)
Supplies	750	697	733	36
Total expenditures	<u>18,100</u>	<u>14,471</u>	<u>14,402</u>	<u>(69)</u>
Excess (deficiency) of revenues over expenditures	-	3,236	4,846	1,610
Fund balance - beginning	<u>57,413</u>	<u>57,413</u>	<u>57,413</u>	<u>-</u>
Fund balance - ending	<u>\$ 57,413</u>	<u>\$ 60,649</u>	<u>\$ 62,259</u>	<u>\$ 1,610</u>